

DEPARTMENT OF STATE

TELEGRAM

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Amembassy BUENOS AIRES

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Ambassador Todman's Meeting with Minister of Economy
Martinez de Hoz - Draft Message ARGENTINA PROJECT (S200000044)

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U.S. DEPT. OF STATE, A/RPS/IPS

Margaret P. Grafeld, Director

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BUENOS AIRES 6052

FOR ASSISTANT SECRETARY TODMAN

1. On Aug 15 Ambassador Todman met with Minister of Economy Martinez de Hoz for over an hour. The devoted session was/~~xxxxx~~ primarily to an exposition by the Minister of government economic policy, progress made in rehabilitating the economy and his hopeful view of future possibilities. There was also discussion of the security situation and human rights problems stemming from it.

2. In complimenting Martinez de Hoz on the economic successes of the present government, Ambassador Todman referred to Argentina's phenomenal employment record, contrasting its unemployment figure of 3 1/2 percent with that of many other countries presently registering

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figures in double digits. In commenting, Martinez de Hoz gave a detailed description of his wage policy, which combined an appeal to the workers for temporary wage restraint as a contribution to the fight against inflation balanced by his ^{instruction} ~~instruction~~ to the employers to keep workers on the payroll, even when production levels might warrant layoffs, and to get back in the habit of paying taxes. Martinez de Hoz estimated that another year and a half will be necessary before the economy has righted itself and inflation overcome, after which real wages will resume an upward course and the sacrifices made by both employers and workers will have demonstrably proved worthwhile. Ambassador Todman remarked that the labor leaders in Argentina seem to think that the workers have had to bear the full burden of stabilization. Martinez de Hoz said that employers also complain, insisting that the sacrifice has been disproportionately placed on them. In any event, he replied, progress is steady, unemployment is low, and nobody in Argentina goes hungry. Other economic issues discussed were the government's policy on tax reform, ~~fixed~~ prices, State enterprises and public investment, the government's

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efforts in the latter connection being designed to get the State out of businesses it should not be in, and thus to pare down the public sector.

3. On security and human rights topics, Martinez de Hoz responded to Ambassador Todman's suggestion that progress can be made more rapidly on this ~~front~~ front as well by saying that now that the worst is over, the methods of counterattack against the terrorists will be put more in line with what they should be. Ambassador Todman observed that incidents which appeared to be explained by people on the right continuing to use the situation to settle old scores, leading some to think that parts of the government are willing to look the other way so long as it is those on the left who are the target for reprisals. Martinez de Hoz said that one cannot categorize these groups as being on the right or on the left. Often they are people who have strong reason to seek vengeance, having lost a relative or friend by the terrorists. The government has been able to bring this sort of thing under much greater control than prior to its takeover, when such groups sprang up because they had no other means of fighting back.

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4. The issue of anti-Semitism was touched on, with Martinez de Hoz stoutly denying that the problem exists in Argentina, except for isolated manifestations reflecting, as in other countries, actions of a few demented individuals. He pointed out that the government decree closing down the magazine Cabildo stated in its considerations a clear condemnation of racial and religious prejudice. Putting statements of this kind in a decree, Martinez de Hoz thought, was tantamount to a Presidential declaration along the lines that Ambassador Todman suggested earlier in the conversation.

5. Ambassador Todman brought up the problem of disappearances and suggested that the publication of a list of all those in custody would help clear up doubts about the fate of those missing. Martinez de Hoz mentioned the publication of lists of people being brought to trial as an indication that the judicial system was again beginning to function and that judges are no longer afraid to participate.

6. The conversation closed with expressions of confidence on both sides that mutual interests and improved circumstances will bring about increased understanding and cooperation.

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